

**FOND DU LAC COUNTY, WISCONSIN**

December 31, 2009

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# Fond du Lac County

July 29, 2010

To the Honorable County Board of Supervisors and the Citizens of Fond du Lac County, WI:

State law requires that all local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of Fond du Lac County, Wisconsin for the fiscal year ended December 31, 2009.

This report consists of management's representations concerning the finances of Fond du Lac County, Wisconsin. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of Fond du Lac County, Wisconsin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Fond du Lac County, Wisconsin financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Fond du Lac County, Wisconsin comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Fond du Lac County, Wisconsin financial statements have been audited by Schenck, S.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Fond du Lac County, Wisconsin for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Fond du Lac County, Wisconsin financial statements for the fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented immediately after the introductory section of this report.

The independent audit of the financial statements of Fond du Lac County, Wisconsin was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Fond du Lac County, Wisconsin separately issued Federal Awards and State Financial Assistance Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Fond du Lac County, Wisconsin MD&A can be found immediately following the independent auditor's report.

## **Profile of the Government**

Fond du Lac County, Wisconsin incorporated in 1839, is located in the east central part of the state, at the foot of Lake Winnebago. Fond du Lac County, Wisconsin occupies a land area of 725 square miles and serves a population of approximately 102,151. Fond du Lac County, Wisconsin is empowered to levy a property tax on both real and personal properties located within its boundaries.

Fond du Lac County, Wisconsin operates under a County Board – County Executive form of government. The County Board exercises legislative control and the County Executive exercises administrative control over all County operations. Beginning in April 2008, the Board was reduced to eighteen members elected by district to two-year terms. The County Executive is also non-partisan and is elected to a four-year term. The County Board of Supervisors is responsible, among other things, for passing resolutions, adopting and amending the budget, and approving appointments to committees. The County Executive is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the County, and for appointment of heads to non-elected departments.

Fond du Lac County, Wisconsin provides a full range of services, including law enforcement/public safety, health and human services, highway construction and maintenance, recreational and educational activities, planning and conservation activities, health care facilities, state court system support, and general administrative services.

The annual budget serves as the foundation for Fond du Lac County, Wisconsin financial planning and control. All County departments are required to submit subsequent year budget requests annually in September to the County Executive. These requests are the starting point for developing the proposed budget presented by the County Executive to the County Board in October each year for their review and adoption. The County Board is required to hold public hearings on the proposed budget and to adopt a final budget by late November each year. The budget is adopted at the fund/department level (e.g. Dept. of Social Services, Sheriff), but is prepared at the program/activity and line item detail level for review. Transfers of appropriations within a fund/department up to \$1,500 or ten percent of the aggregate approved budget, whichever is less, may be authorized by action of the Finance, Personnel and Economic Development Committee. Any other transfer or additional appropriation must be approved by the full County Board.

Budget to actual comparisons are provided in this report for the general fund and major special revenue funds. This comparison is presented on pages 24–27 as part of the basic financial statements. A more detailed budget to actual comparison for the general fund is presented in the supplemental information section of this report on pages 57–69.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Fond du Lac County, Wisconsin operates.

## **Local Economy**

As has occurred nationally, the economy in Fond du Lac County began to weaken in 2008. There were no announcements of any significant plant closings however, job reductions did occur in smaller numbers in several businesses.

It appears that Mercury Marine will again be the County's largest employer based on decisions that were made in 2009. Mercury Marine officials made the decision to consolidate Stillwater, Oklahoma operations in Fond du Lac and as a result transferring approximately 250 jobs. Fond du Lac County played a significant role in that decision in that the County agreed to loan Mercury Marine \$50M over a period of 12 years amortized in the last ten years at an interest rate of 2%. The loan is performance based therefore Mercury is able to earn credits toward repayment of the loan based on 1,526 employees in Fond du Lac County. If Mercury Marine maintains that level, they will annually receive a credit of \$500 per employee. For any number above that up to 2,900 employees, Mercury Marine will annually receive \$1,000 per employee as a credit toward repayment of the loan. As of this writing, there has been some

increase in employment at Fond du Lac but that is not yet related to the transfer of the Stillwater operations. That process is ongoing and will continue through much of 2011 as expected. Fond du Lac County chose to pay for the credits and interest subsidy above 2% through the County option .05% sales tax. It is anticipated that the County will average approximately \$500,000 - \$550,000 per month in sales tax revenue which began April 1, 2010.

Our other largest employer, Agnesian Healthcare, continues to construct new facilities thereby moderately increasing their employment and bringing more medical professionals to the County.

As a result of an expressed interest from Wausau-Everest, a southeast Wisconsin Airport Equipment Manufacturer to construct a research and development facility and a future assembly facility next to the Fond du Lac County Airport, County Board approved the development of an aeronautical industrial park in the northeast quadrant of the Airport. The needed land was purchased and development of the industrial park which began in early summer 2008 will be completed in 2010. Wausau-Everest began construction of the new facility in early fall 2008 and began operations at the new facility in February 2009. The R & D Facility now employs 16 people with the hope of future expansion as a result of a large order for new equipment that will service one of the country's largest airports. Due to the many needed approvals from the Federal Aviation Administration and local government this has been a very challenging process, however the County has enjoyed very good cooperation from its partners in this venture.

A new manufacturing facility was built in 2009 for the relocation of Chicago Tube and Iron Company and there was also a ground breaking for a facility that will be occupied by McNeilus Steel Inc. Both companies project initial employment to be between 25-30 employees with the expectation that number could double over the next three to five years. Both facilities already have capacity for that level of employment.

In early 2009, Fond du Lac County sold the old Rolling Meadows Nursing Home facility for \$360,000. The purchaser ultimately sold it to a new developer who intends to open a hotel/conference center on that site using the existing facilities but adding a fourth floor and a 20,000 square foot conference center with dining capabilities of up to 600 people. A larger facility has been needed in Fond du Lac County to accommodate events and meetings that we now lose to other cities. Completion is expected to occur in May, 2011. Fond du Lac County also sold 1.12 acres of land to this development company in order for them to provide adequate parking space for their facility.

The largest business expansion in Fond du Lac County, the development of the Rosendale Dairy continued in 2009 to accommodate a herd of 8,000 animal units. This large herd dairy operation has an estimated construction cost of over \$50 million and while numbers have not been released regarding employment an operation of this size requires a large number of full time and part time workers. There will be a significant additional economic impact on the farms and businesses that supply the feed and other needed items. The milk produced at this facility will help supply the cheese producing operations in Fond du Lac County thereby saving them the cost of trucking over long distances.

The economic development professionals in the county continue to expect modest plant expansions within the next 12 months resulting in an increase of jobs within the county. Plans are not yet firm enough for announcements to be made at this time. Overall, there is optimism that the County's economy will strengthen as we move into 2011.

### **Long-Term Financial Planning**

In May 2006, the County began receiving prisoners from other counties and the State of Wisconsin. Fond du Lac County now houses about 88 prisoners each day in its jail from either the State prison system or other counties in the state. This resulted in an annual revenue of over \$2,000,000 in 2009. Ultimately due to Fond du Lac County's jail needs increasing each year, the number of available beds for lease to other counties was expected to decline annually, but so far the Sheriff has maintained the same level since 2007.

As part of the budget process, the County Executive annually presents a five year capital improvement plan to the County Board for approval.

Several highway projects are part of the capital improvement plan, including the railroad grade separation and bridge replacement on Pioneer Road, which will positively impact the local economy. It is a joint project with the City of Fond du Lac. \$6,000,000 in federal funds are expected to pay approximately 50 percent of the cost. Some state funds will also be available with the balance of \$5,000,000 to be split evenly with the City of Fond du Lac. Engineering of the project began in 2008 and construction is expected to start sometime late in 2011 with completion as far off as 2013.

The replacement of the county's public safety radio system as part of the construction of an interoperable communications system was brought on line in June 2009. The system meets the new standard established by the Department of Homeland Security, to include narrow band capability by 2012. It also includes six new towers with simulcast capability and has redundant backup capability. The total project cost is \$4,825,000. The improvements all but eliminate the radio communication dead spots across the county, thereby enhancing emergency response as well as officer safety.

A significant positive impact on the County budget beginning in 2009 is the State Shared Utility Revenue resulting from the construction and operation of almost 200 wind turbines within Fond du Lac County. When operational, the wind turbines will generate approximately \$642,000 annually of new revenue for the County. All currently planned wind turbines were operational by the end of 2008 although there is some discussion regarding additional units on the west side of the County.

## **2009 in Review**

The financial position of Fond du Lac County, Wisconsin is sound as of the end of fiscal year 2009. One measure of our financial stability is the amount of undesignated general fund at year end. As of December 31, 2009, the undesignated general fund balance was \$4,863,759, an increase of \$413,673 from the prior year end. Our financial advisors recommend that we carry from 10-20 percent of the subsequent year's general funds operating budget as undesignated general fund balance. For Fond du Lac County, Wisconsin, that percentage is 12 percent. Outstanding debt at the end of 2009 was \$30,960,000 for capital projects, plus \$3,185,000 remaining on the funds originally borrowed in 2002 to pay off the unfunded pension liability to the Wisconsin Retirement System. That brings Fond du Lac County, Wisconsin's total outstanding general obligation debt at the end of 2009 including the \$20,000,000 Mercury Marine loan to \$54,145,000, which is 15.2 percent of our legal debt limit set by State Statute.

The majority of departments, large and small alike, again returned 2009 budget surpluses to the general fund. Each department's diligent efforts in controlling costs and increasing revenues, wherever possible, are contributing factors to Fond du Lac County, Wisconsin's good financial position. Some county positions have been eliminated, some have been left vacant, and some have been filled on a delayed basis. A voluntary unpaid leave policy was started in 2001 and has been continued, generating approximately \$24,000 of salary/wage and related fringe savings, net of unemployment compensation, in 2009.

Two large health and human services departments are responsible for returning significant budget surpluses to the general fund: \$1,355,749 from the Department of Community Programs while the Department of Social Services returned \$1,269,075.

The Care Management Organization (CMO) ceased operations December 31, 2009. All assets and liabilities were transferred to the new Lakeland Care District that will also serve Manitowoc and Winnebago Counties.

The Sheriff's Department and Jail combined returned a \$597,899 budget surplus to the general fund. In addition, the Health Department, Home Health and Personal Care Program combined, returned a \$26,527 budget surplus to the general fund. These budget surpluses resulted from a combination of some increased revenue sources, while controlling costs to keep them in line with the funding available.

## **Medical Examiner**

In December 2005, the County Board approved the hiring of a Board Certified Forensic Pathologist to start a Fond du Lac County based medical examiner program that would provide autopsy services to other counties, similar to the arrangement that we had with Milwaukee County. With this new pathologist on board since February 2006 and the hiring of a second pathologist in January 2007, the performance of out-of-county autopsies has grown to average more than 7 per week. The county net share of revenue generated by an out-of-county autopsy is \$1,450, which helps offset the base salary of the pathologist and other costs of the medical examiner program. Fond du Lac County is now contracting with 13 counties and other counties have expressed an interest in becoming part of our system.

The 2007 remodeling of the morgue facility provided for expanded capability with two autopsy stations. There is hope that Fond du Lac County can become a full service regional medical examiner system within the next few years, with a goal of further offsetting Fond du Lac County's cost of providing that service to its own citizens.

The Medical Examiner returned a \$100,600 budget surplus to the general fund. This budget surplus resulted from a combination of increased caseload while controlling costs.

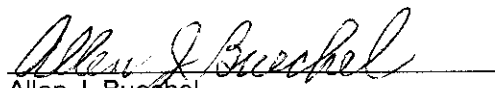
## **Health Insurance**

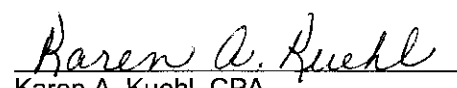
Health insurance costs continue to have the most significant negative impact on our budget. In 2009, the employee health insurance premium co-pay rose to 14 percent but if the employee has a health risk assessment, it is decreased to 12 percent. In 2011 the premium increase is expected to be no more than 17 percent.

In 1999, I publicly stated in my budget message that the increased cost of medical care, and the resulting impact on health insurance, if left unchecked will undermine every local government's ability to provide services to the people they represent. And that, in fact, is what has happened. Fond du Lac County Administrative Staff has worked hard with insurance professionals to find ways to reduce premium costs through employee awareness and wellness programs, preventive health education, benefit restructuring, and funding. Staff continues to search for new ways to reduce the cost of medical care, such as the Virtual Clinic. In conjunction with the wellness initiatives, the Asheville Project was implemented in the fall of 2007. It is a medical model that monitors and coaches people with diabetes to achieve better health and quality of life. Beginning in the fall of 2009, disease management programs on hypertension and cholesterol were available to employees.

## **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the fiscal services staff of all County departments. Credit must also be given to the Fond du Lac County, Wisconsin Board of Supervisors and the Finance, Personnel and Economic Development Committee for their unfailing support for maintaining the highest standards of professionalism in the management of Fond du Lac County, Wisconsin's finances.

  
Allen J. Bugchel  
County Executive

  
Karen A. Kuehl, CPA  
Finance Director

# OFFICIALS OF THE COUNTY OF FOND DU LAC

County Executive ----- Allen J. Buechel

## COUNTY BOARD OF SUPERVISORS 2008-2010

Chairperson -----Martin F. Farrell  
Vice-Chairperson-----Judy Goldsmith  
Second Vice-----Herbert G. Ottery

### **FINANCE, PERSONNEL AND ECONOMIC DEVELOPMENT COMMITTEE**

Herbert G. Ottery, Chair  
Judy Goldsmith, Vice-Chair  
Thomas E. Dornbrook  
Brenda A. Schneider  
Martin F. Farrell, County Board Chair

### **HIGHWAY, AIRPORT AND FACILITIES COMMITTEE**

Joseph W. Koch, Chair  
Robert M. Fox, Vice-Chair  
Karen Madigan  
John E. Muentner, Sr.  
John G. Zorn

### **PUBLIC SAFETY AND SOCIAL SERVICES COMMITTEE**

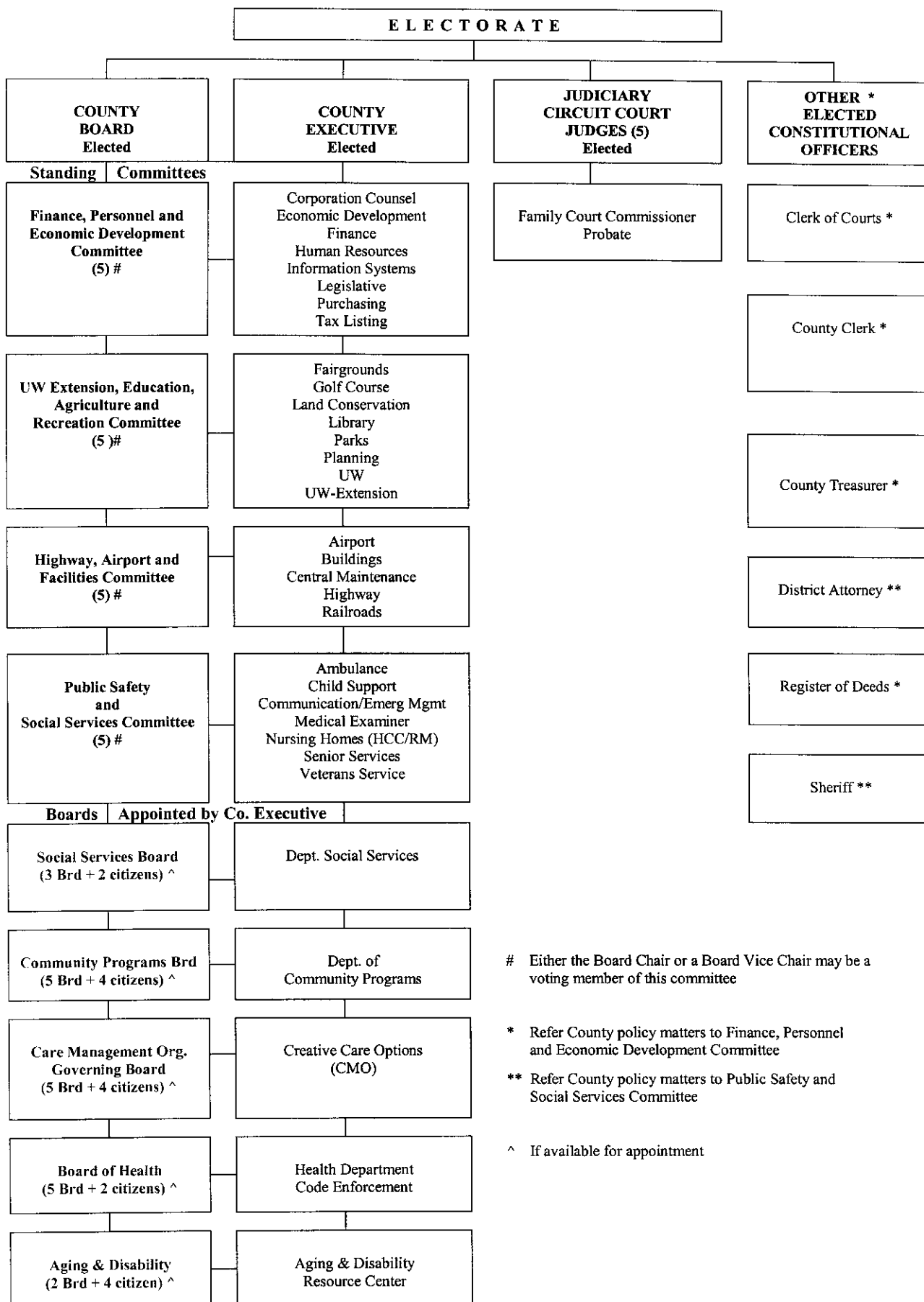
Melvin E. Heller, Chair  
Donald O. Skog, Vice-Chair  
Wilmer R. Abitz  
Judy Goldsmith  
Richard R. Wetzel

### **UW-EXTENSION EDUCATION, AGRICULTURE AND RECREATION COMMITTEE**

Gary L. Boyke, Chair  
Sherry Behnke, Vice-Chair  
James D. Kiser  
Herbert G. Ottery  
Richard W. Stokely



**ORGANIZATIONAL CHART - 18 COUNTY BOARD SUPERVISORS  
FOND DU LAC COUNTY, WISCONSIN**



# Either the Board Chair or a Board Vice Chair may be a voting member of this committee

\* Refer County policy matters to Finance, Personnel and Economic Development Committee

\*\* Refer County policy matters to Public Safety and Social Services Committee

^ If available for appointment

**FOND DU LAC COUNTY**  
**FINANCE DEPARTMENT PERSONNEL**

Director of Administration .....Ellen C. Sorensen  
Finance Director ..... Karen A. Kuehl, CPA  
Accounting Services Coordinator..... Dorothy A. Soda  
Payroll Coordinator ..... Ann C. Lallier  
Account Specialist .....Susan J. Bruins  
Account Clerk II ..... Cecelia A. Achterberg